

Message Text

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E.O. 11652: N/A
TAGS: ETRD, OECD
SUBJECT: OECD TRADE COMMITTEE: FEBRUARY 23 MEETING

1. SUMMARY: FEB. 23 SESSION OF TRADE COMMITTEE WAS
DEVOTED ALMOST ENTIRELY TO DISCUSSION OF TRADE PLEDGE
AND STRUCTURAL ADJUSTMENT QUESTIONS. HIGHLIGHTS ARE
REPORTED BELOW. WITH RESPECT TO TRADE PLEDGE, ALL
DELS OTHER THAN AUSTRALIA AND NEW ZEALAND GAVE
PRELIMINARY VIEW THAT RENEWAL OF OPERATIVE PORTION OF
PLEDGE WAS ESSENTIAL IN PRESENT ECONOMIC SITUATION.
DELS WERE OPEN MINDED ABOUT TRYING TO REDRAFT PRE-
AMBLE OF PLEDGE TO UPDATE AND MODERNIZE IT, ALTHOUGH
MANY WERE SKEPTICAL THAT THIS COULD BE DONE WITH
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REASONABLE EFFORT OR WITHOUT WEAKENING PLEDGE RATHER
THAN STRENGTHENING IT. CHAIRMAN STEEG WILL REFLECT
ON POSSIBLE NEW PREAMBLE AND CONSULT WITH KEY DELS
PRIOR TO NEXT MEETING, SCHEDULED FOR MAY 9-10. ON
STRUCTURAL ADJUSTMENT, THERE WAS CONSENSUS THAT
COMMITTEE SHOULD CONTINUE TO CONSIDER TRADE POLICY
ASPECTS OF THIS ISSUE, AND BRING THESE TO THE AT-

TENTION OF OTHER BODIES WORKING ON THE QUESTION. RECURRING THEME OF INTERVENTIONS WAS THAT NEED FOR STRUCTURAL ADJUSTMENT SHOULD NOT SERVE AS A PRETEXT FOR TRADE RESTRICTIONS AND OTHER MEASURES SHIFTING THE BURDEN OF ADJUSTMENT TO OTHERS. COMMITTEE ALSO TOOK NOTE OF RECENTLY CONCLUDED NEGOTIATIONS FOR A NEW EXPORT CREDIT ARRANGEMENT AND CHAIRMAN URGED AUSTRIA AND NEW ZEALAND TO JOIN AS SOON AS POSSIBLE. END SUMMARY.

2. AS BACKGROUND FOR TC DISCUSSION, SECRETARIAT (MARRIS) MADE INTERESTING PRESENTATION ON SHORT-TERM ECONOMIC OUTLOOK AND SECRETARIAT THINKING ON POLICY PROBLEMS. DESPITE SOME POSITIVE SIGNS, MARRIS NOTED, SHORT TERM ECONOMIC PROSPECTS WERE NOT ENCOURAGING, AND HE EXPRESSED CONCERN THAT DEFENSIVE MEASURES BEING ADOPTED BY GOVERNMENTS TO PROP UP INDUSTRIES, REGIONS, AND LABOR MARKETS COULD HAVE LONG-RUN DETRIMENTAL EFFECTS ON OECD GROWTH, RELATIONS WITH ADVANCED LDC'S, AND EVENTUALLY, VIA REDUCED ABILITY OF THE LATTER TO SERVICE DEBT, FINANCIAL MARKETS. IN PARTICULAR HE SAW OECD COUNTRIES GETTING INTO VICIOUS CIRCLE WHERE SLOW GROWTH LED TO INTERVENTION WHICH PERPETUATED INEFFICIENCIES AND IN TURN FURTHER REDUCED GROWTH POTENTIAL. IN THIS CONTEXT MARRIS SAW TRADE PLEDGE AS HAVING A CENTRAL ROLE IN A BROAD PROGRAM OF LIMITED OFFICIAL USE

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POLICIES OF ECONOMIC RECOVERY, AND SUGGESTED FURTHER EFFORT WAS NEEDED AT INTERNATIONAL LEVEL TO HELP GOVERNMENTS RESIST INTERVENTIONIST TEMPTATIONS AND TO TAKE ACTION TO ENCOURAGE ADJUSTMENT AT SOCIALLY ACCEPTABLE RATES.

3. MARRIS ALSO DESCRIBED WORK BEING DONE IN SECRETARIAT ON STRUCTURAL ADJUSTMENT FOR XCSS. THIS IS ESSENTIALLY A STUDY OF THE CHANGING PATTERN OF WORLD TRADE AND PRODUCTION, AIMED AT CLARIFYING THE FACTS ABOUT THE ROLE OF THE "NEWLY EMERGING INDUSTRIALIZED COUNTRIES." HE SAID AN ATTEMPT WOULD BE MADE TO DISTINGUISH CYCLICAL FROM STRUCTURAL DEVELOPMENTS AND THAT THE STUDY WOULD ALSO ADDRESS ECONOMIC AND COMMERCIAL POLICIES OF THE ADVANCED LDC'S (E.G. HOW THEY EVENTUALLY SHOULD GET OFF THE "TIGER" OF EXPORT-LED EXPANSION) AND THE MORE MATURE ECONOMIES

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(E.G. ENSURING ADEQUATE INVESTMENT AND AVOIDING
RIGIDITIES). TARGET DATE FOR COMPLETION OF WORK IS
THE END OF MARCH.

4. TRADE PLEDGE: GROUP AGREED WITH MARRIS ANALYSIS
OF ECONOMIC OUTLOOK AND WITH ADVERSE EFFECT THAT
TRADE RESTRICTIONS WOULD HAVE ON ECONOMIC EFFICIENCY
AND GROWTH PROSPECTS. COMMITTEE WAS VIRTUALLY UNANIMOUS
ON NEED, GIVEN THIS SITUATION, TO CONTINUE BASIC
COMMITMENT OF TRADE PLEDGE. AUSTRALIA, HOWEVER,
MADE LONG STATEMENT ABOUT FAILURE IN PRACTICE TO
APPLY PLEDGE TO AGRICULTURE, SAYING IT SHOULD BE
ALLOWED TO LAPSE AND BE REPLACED BY MINISTERIAL
"STATEMENT ON PROTECTIONISM." NEW ZEALAND VOICED
SIMILAR CONCERNS, SAID IT HAD NO POSITION ON RENEWAL,
AND NOTED ITS MAIN PROBLEM WAS FAILURE OF OECD TO
MEET GROWTH TARGETS. CONNECTION BETWEEN VIABILITY
OF PLEDGE AND ACHIEVEMENT OF GROWTH TARGETS WAS
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ALSO MADE TO VARYING DEGREE BY FINLAND, NORWAY, SWEDEN,
AND, AT SOME LENGTH, BY UK. SWEDEN SAID, HOWEVER,

THAT THERE SHOULD BE NO FORMAL LINK BETWEEN THESE TWO ISSUES. FRG MADE THIS POINT EVEN MORE STRONGLY.

5. THERE WAS BROAD WILLINGNESS TO CONSIDER THE IDEA OF REVISING PREAMBLE TO UPDATE PLEDGE. SWEDEN WANTED TO ENSURE ALL TYPES OF MEASURES (OMA'S AND REFERENCE PRICES FOR EXAMPLE) WERE COVERED AND THAT SECTORAL QUESTIONS WERE ADEQUATELY TREATED (THOUGH ARTICLE 19 ACTIONS SHOULD NOT BE PRECLUDED). SWEDES ALSO WISHED TO SUPPLEMENT PLEDGE WITH A DECLARATION TO AVOID SUPPORT MEASURES WHICH BLOCK ADJUSTMENT (BUT WITH EXCEPTIONS FOR FOOD, TEXTILES, AND REGIONAL POLICY). U.S., WHILE OPEN MINDED, WARNED AGAINST POSSIBILITY OF WEAKENING PLEDGE AND SUGGESTED MAIN EFFORTS OF GOVERNMENTS OVER COMING MONTHS SHOULD GO TOWARD COMPLETING MTN. CANADIANS AGREED. EC COMMISSION TOOK SAME LINE AND NOTED CHANGE IN TEXT OF PLEDGE WOULD REQUIRE DETAILED EXPLANATION WITHIN GOVERNMENTS AND COULD RAISE UNWELCOME QUESTIONS. UK DEL DID NOT SEE POINT OF REDRAFTING IF PLEDGE WERE TO BE RENEWED FOR ONLY ONE YEAR. FRG AGREED THERE WERE PROBLEMS BUT THOUGHT UPDATING PLEDGE WORTH A TRY. CHAIRMAN STEEG SAID SHE WOULD THINK ABOUT HOW UPDATING COULD BE DONE WITHOUT WEAKENING PLEDGE AND CONSULT WITH DELS TO PREPARE FOR NEXT MEETING.

6. STRUCTURAL ADJUSTMENT: CHAIRMAN STEEG WON BROAD ENDORSEMENT FOR HER CONCEPTION OF TC ROLE AS ONE OF ENSURING TRADE POLICY ASPECTS OF STRUCTURAL ADJUSTMENT ISSUE ARE ADEQUATELY REFLECTED IN BROADER OECD WORK. SEVERAL DELS EXPRESSED WORRY THAT, IN TRADE POLICY LIMITED OFFICIAL USE

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CONTEXT, "STRUCTURAL ADJUSTMENT" COULD BECOME EXCUSE TO RATIONALIZE RESTRICTIVE MEASURES. JAPANESE NOTED ATTEMPTS TO GIVE INDUSTRIES "BREATHING SPACE" RARELY PROMOTED ADJUSTMENT. FRG WARNED AGAINST ADOPTING NEW PHILOSOPHICAL APPROACH THAT TRADE RESTRICTIONS WERE ACCEPTABLE IF INTERNAL MEASURES TO ADJUST WERE UNDERTAKEN. US ALSO STATED THAT STRUCTURAL ADJUSTMENT SHOULD NOT BE USED AS RATIONALE FOR POLICIES COUNTRIES WOULD NORMALLY CONSIDER INAPPROPRIATE. AUSTRALIA AND NEW ZEALAND POINTED TO AGRICULTURE SECTOR AS EXAMPLE OF THIS PHENOMENON.

7. NUMBER OF DELS TOOK UP NORTH/SOUTH ASPECT OF STRUCTURAL ADJUSTMENT QUESTION. SWEDEN STRESSED NEED TO AVOID TRADE RESTRICTIONS AND OTHER MEASURES WHICH EVADE ADJUSTMENT, BUT SAID THAT AT SAME TIME ADVANCED LDC'S SHOULD "GRADUATE" THEMSELVES FROM SPECIAL TREAT-

MENT. THIS IDEA WAS ECHOED BY SEVERAL OTHER DELS,
WHO ALSO SUGGESTED BENEFICIAL EFFECTS OF TRADE
CREATION VIA OPENING OF MARKETS IN LDC'S THEMSELVES.
U.S. AND SWITZERLAND POINTED OUT BASIC DILEMMA IN A
DC POLICY WHICH TOLD LDC'S TO DEVELOP BY EXPORTING
BUT REFUSED TO ADMIT PRODUCTS AT BORDER. IN VIEW OF
THESE DELS IT WAS IMPORTANT TO DEVELOP A COHERENT
APPROACH TO THE PROBLEM. JAPAN EMPHASIZED THE
IMPORTANCE OF TRADE FOR CONTINUED ECONOMIC PROGRESS
AND ESPECIALLY POLITICAL STABILITY IN THE ADVANCED
LDC'S. EC COMMISSION REP SUGGESTED PUTTING
DIFFERENTIAL TREATMENT AND GRADUATION INTO PRACTICE

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IN MTN RATHER THAN ANY FURTHER THEORIZING IN OECD.
CHAIRMAN STEEG NOTED IN SUMMING UP THAT SECRETARIAT'S
STRUCTURAL ADJUSTMENT STUDY WOULD HELP GOVERNMENTS
KEEP LDC ASPECT OF THIS ISSUE IN PROPER PERSPECTIVE.

8. YUGOSLAV TRADE REVIEW: SECRETARIAT INFORMED TRADE
COMMITTEE THAT YUGOSLAVIA HAD EXPRESSED INTEREST IN
HAVING THE WORKING PARTY AGAIN REVIEW YUGOSLAV TRADE
POLICY (THIS WAS LAST DONE IN 1972). THE INTENTION
IS TO HAVE THE TCWP DO THIS ON THE BASIS OF A

MEMORANDUM WHICH YUGOSLAVIA SHOULD SUBMIT IN MID-MARCH.

9. EXPORT CREDITS: CHAIRMAN OF EXPORT CREDITS GROUP MORLEGHEM REPORTED ON SUCCESSFUL CONCLUSION OF AD REFERENDUM NEGOTIATIONS FOR A NEW EXPORT CREDIT ARRANGEMENT, NOTING IMPROVEMENTS MADE IN PROCEDURES AND TRANSPARENCY, AND ADVANTAGE OF HAVING COMMON LIMITED OFFICIAL USE

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WRITTEN TEXT AS REFERENCE POINT. HE URGED NON-PARTICIPANTS AUSTRIA AND NEW ZEALAND TO CONSIDER EARLY ADHESION. CHAIRMAN STEEG QUALIFIED NEW ARRANGEMENT AS IMPORTANT MILESTONE OF COOPERATION IN TRADE POLICY FIELD AND EXPRESSED HOPE THAT NON-PARTICIPANTS COULD SOON ADHERE TO IT.

10. E/W TRADE AND EXPORT CONTROLS: TC NOTED ORAL REPORTS BY TCWP CHAIRMAN ON WORK IN AREAS OF E/W TRADE AND EXPORT CONTROLS. FORMER WILL CONTINUE AS PLANNED AND LATTER WILL ASSUME MORE OR LESS DORMANT STATUS FOR TIME BEING. (ON E/W TRADE, U.S. DEL DECIDED NOT TO RAISE ISSUE OF DISCUSSING EASTERN RECIPROCITY AT MARCH 7-8 MEETING TO AVOID POSSIBILITY OF NEGATIVE COMMISSION RESPONSE. DISCUSSION WILL INSTEAD BE PROPOSED VIA TCWP CHAIRMAN'S LETTER.)

11. CHANGES IN TRADE POLICIES: U.S. EXPRESSED REGRET ABOUT MEASURES TAKEN BY SWITZERLAND, CANADA, AUSTRALIA, AND AUSTRIA. EC, NORWAY, AND ITALY ALSO CRITICIZED CANADIAN FOOTWEAR MEASURE. AUSTRIA NOTED THAT ITS TARIFF INCREASES RESULTED FROM DISCONTINUING CERTAIN TEMPORARY DUTY SUSPENSIONS ORIGINALLY UNDERTAKEN FOR ANTI-INFLATIONARY REASONS.
SALZMAN

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